

## STATE OF IDAHO DEPARTMENT OF INSURANCE 700 W. STATE STREET BOISE, IDAHO 83720

## BULLETIN NO. 80-5

TO:

ALL INSURANCE COMPANIES WRITING CREDIT LIFE

AND/OR CREDIT DISABILITY INSURANCE IN IDAHO

FROM:

MONROE C. GOLLAHER, DIRECTOR

DEPARTMENT OF INSURANCE

SUBJECT:

REFUNDS OF PREMIUMS ON TERMINATION OF CREDIT

LIFE AND CREDIT DISABILITY INSURANCE COVERAGE

It has come to the attention of this Department that all insurers may not be in compliance with the requirements of this Department in the making of refunds on credit life and credit disability insurance premiums when the coverage is terminated either voluntarily or involuntarily.

Idaho Code Section 41-2310(2) requires that refunds be made upon the termination of the insurance coverage. Section 11 of Departmental Regulation No. 19 requires that the insurer's refund formula be filed and approved by the Director of Insurance, and further provides that any refund formula which is at least as favorable to the insured debtor as the "sum of the digits" formula, or the so-called "Rule of 78's", for single premium plans or prorata for other plans, shall be deemed acceptable. Refunds of less than one dollar (\$1.00) need not be made.

In order for an insurer to be in compliance with the <a href="Idaho Code">Idaho Code</a> and Regulation No. 19, the following procedures must be observed:

## I. VOLUNTARY PREPAYMENT OF INDEBTEDNESS

- A. If an indebtedness is prepaid other than as a result of the debtor's death or through a lump sum disability payment:
  - Any credit life insurance covering such indebtedness shall be terminated and an appropriate refund of the credit life insurance premium shall be paid to the debtor.

- 2. Any credit disability insurance covering such indebtedness shall be terminated and an appropriate refund of the credit disability premium shall be paid to the debtor; except that:
  - a. If a disability claim is in progress at the time of prepayment, benefit payments shall be payable during the continued disability as if there had been no prepayment. In that case, a refund of the credit disability premium need not be made unless and until such time as the disability might cease.

## II. INVOLUNTARY PREPAYMENT OF INDEBTEDNESS

- A. If an indebtedness is prepaid by the proceeds of a credit life insurance policy covering the debtor or by a lump sum payment of a disability claim under a credit insurance policy covering the debtor, then it shall be the responsibility of the insurer to see that the following refunds are paid to the beneficiary, (other than the creditor) named by the debtor, or to the debtor's estate, or, in the case of a lump sum payment of a disability claim, to the debtor:
  - In the case of prepayment by the proceeds of a credit life insurance policy, an appropriate refund of the credit disability insurance premium.
  - In the case of prepayment by a lump sum disability claim, an appropriate refund of the credit life insurance premium.

DEPARTMENT OF INSURANCE

MONROE C. GOLLAHER

Director

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August 27, 1980